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The Equitable Healthcare Survey III:

CORPORATE INITIATIVES & EMPLOYEE ATTITUDES ON COST CONTAINMENT

Conducted for The Equitable Life Assurance Society of the United States

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FOREWORD

The rising cost of health care continues to be among the most serious problems facing this nation. As one of the country's largest health insurers, The Equitable, of course, has a crucial stake in controlling these costs.

We strongly believe that corporations can and should play a major role in controlling their own health care costs. This survey, the third in a series of major health care research projects sponsored by The Equitable, underlines the importance and the impact of the employer in controlling health care cost inflation.

This survey helps to shed more light on what private sector employers are doing to control their health costs, and, for the first time, measures the success of their efforts. It also provides important insight into the attitudes of employees towards the changes that have been made in their health benefit plans.

The Equitable is pleased to make this information available as a public service. This report is another important tool for benefit planners to use in designing effective cost controls in the future. We hope that it will be used in formulating plans and implementing successful health care cost containment policies.

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The principal purpose of this survey is to provide corporate decisionmakers with guidelines for action in shaping their health care plans over the next few years. The survey documents in detail what has happened over the last several years, so that corporate employers can draw on these experiences and take advantage of the lessons that have been learned.

This is a detailed study of many cost containment initiatives which have been taken, showing what companies have or have not done, and how successful or unsuccessful their efforts have been. The Equitable Healthcare Survey III is not only the first comprehensive picture of how corporations are faring in their efforts to contain employee health care costs, but also the first survey to report how employees are reacting to changes in their health care benefits, how acceptable they find these changes, and how their use of health care services has been affected.

The Equitable Healthcare Survey III is the third survey conducted by Louis Harris and Associates on health care cost containment for The Equitable Life Assurance Society. In the Summer of 1983, Harris conducted **The Equitable Healthcare Survey: Options for Controlling Costs**, which provided a detailed assessment of the attitudes of the American public, employers, unions, hospital administrators, health insurance executives, and the elected leaders of physicians' organizations to a wide range of health care cost containment policies. Early in 1984, Harris conducted **The Equitable Healthcare Survey II: Physicians' Attitudes Toward Cost Containment**, which surveyed the views of a national cross section of physicians on the same issues.

This third survey is designed to build upon the first two studies and to measure the effect of many of the changes which they discussed.

Interviews for this third survey were conducted in February and March 1985 with the following samples, all of which are designed to be representative of the populations from which they are drawn:

- A national cross section of 1,253 employees in corporations with 500 or more employees.
- A national cross section of 1,250 corporate benefits officers in companies with 500 or more employees.
- A national cross section of 200 senior executives in companies with 500 or more employees.
- A national cross section of 200 senior human resource executives in companies with 500 or more employees.
- One hundred and ten national and regional insurance brokers and consultants who work with corporate clients in the field of group health plans.

Details and design of the study and of the methods used to conduct the survey are given in the Appendix.

Note on the Tables

Percentages in the tables may not add to 100% because of rounding or the acceptance of multiple responses.

Acknowledgments

Louis Harris and Associates is indebted to The Equitable Life Assurance Society of the United States for making this research possible. The contribution of the following individuals at Equitable is gratefully acknowledged: Richard Freiburger, James Glynn, Arthur Lifson, and Linda Gall. Each of these individuals made important contributions to the design of the study and the development of the questionnaire.

Final responsibility for the design and implementation of the survey and for the findings and conclusions contained in this report rests with Louis Harris and Associates.

SURVEY HIGHLIGHTS

This summary provides an overview of the results of this survey. There are, of course, many findings described in the body of the report which are not summarized here, and interested readers are urged to examine the full report for these details.

1. **Corporations have made a great many changes to their health care plans in order to contain costs.** More than 70% of employers report that they have changed their health care plans a great deal or somewhat over the last 3 years. A majority of employers report that these changes have resulted in increased cost-sharing by their employees through contributions to premiums, increased deductibles, or co-payments. A wide variety of other changes have also been made.

2. **The changes made most frequently by corporations over the last 3 years are** the use of second opinions (54%), increasing deductibles (50%), new program features designed to reduce unnecessary hospitalization (47%), and offering employees an HMO option (34%).

3. **These changes have already had a substantial impact on health care costs.** Employers estimate that their 1985 health care costs per employee will be between 16-18% lower as a result of the changes made over the last 3 years. Overwhelming majorities of employers, brokers and consultants rate the changes made as very or somewhat effective.

4. **Successful health care cost containment programs include a variety of different mechanisms.** There is no single element which is a panacea. Nor is there any consensus among employers as to which one element is most important, although between 17-21% of the employer groups identify increased deductibles as the most effective.

5. **Most of the changes made by employers are acceptable to a large majority of employees.** Fully 79% of employees rate the changes made by their employers in the last 3 years as acceptable. And 53% of employees whose cost-sharing has increased over the last 3 years say that this increase was acceptable. When asked about 17 different types of plan changes, majorities of employees report that all except one (increased co-payments) of these changes are acceptable, even where they have been directly affected by these changes.

   Furthermore, the great majority of employers who have increased employee cost-sharing in their plans say that they found it easier than they had anticipated to get employee acceptance of changes. And most employees affected by increased cost-sharing think that it was necessary for their employers to make changes in their health care plans in order to get costs under control.

6. **Some cost control mechanisms appear to be seen by employees as additional benefits.** These include incentives to have tests and minor surgery done outside hospitals, second opinions, the availability of HMO and PPO options, wellness programs, financial incentives to practice good health and safety behaviors, employee health advisory services, medical case management programs, disability case management programs, and flexible plans which offer a choice between different health plans.

7. **While a majority of employees are generally willing to accept some additional cost-sharing, it is not, of course, accepted with any enthusiasm, and attitudes toward additional cost-sharing vary widely.** While most employees think that it is acceptable to pay a contribution to their insurance premiums, only very slender majorities think it is acceptable to increase their deductibles or have co-payments. Only 48% of employees say that it is acceptable to increase their co-payments.

   Obviously, increased cost-sharing is not what employees want. The important finding is that most employees are willing to go along with it if the increase is not too large.

8. **Union members are more resistant to change, and to increased cost-sharing, than are non-union employees.** However, the differences are not very large.

9. **Low income employees, particularly those earning less than $15,000 a year,** are much more adversely affected by increased cost-sharing and find such changes less acceptable than do other employees.

10. **In winning the acceptance of employees to change the design of corporate health care plans, communications seem to be almost as important as the details of the changes made.** The quality of communications appear to vary greatly from company to company, with many employers reporting that they found it difficult to explain the changes to their employees.

11. **The inclusion of additional benefits, particularly dental benefits, makes it easier to win employee acceptance for other changes** which involve increased cost-sharing or constraints on the services which may be used.

12. **Changes in corporate health plans appear to be having some impact on total health care expenditures.** Changes made so far have not merely shifted costs from employers to employees. In many instances, these changes appear to have had some impact on consumer behavior, thereby helping to reduce total expenditures on health care services.

13. **There is no evidence in this survey that changes made have, as yet, significantly reduced employee access to health care services.** However, there is evidence that increased cost-sharing by low-income employees in the future could significantly reduce their access to care.

14. **Corporate health care costs are not yet under control.** Only 10% of employers report that their costs are completely under control. They expect their 1985 per employee costs to rise by a mean of 7-8% in 1985.

15. **Corporate health plans look set to change at least as much in the next 3 years as they have in the recent past.**

16. **There are dangers in generalizing from the overall findings to the individual employer, health plan, or employee.** This report shows a very wide variety of different behaviors, effects, attitudes and reactions. It is important to recognize that, even where a substantial majority give one answer, sizable minorities, often involving many millions of employees, do not agree with the majority.

The following table summarizes the changes made in the last three years, and their effectiveness and acceptability to employees.

HEALTH PLAN CHANGES MADE IN THE LAST 3 YEARS

	Percent of Companies Which Have Made Change	Acceptability to Employees Affected[1]	Perceived Effectiveness[2]
	(fr. Table 4-2)	(fr. Table 5-1)	(fr. Table 6-1)
	%	%	%
Changed to a contributory plan	21	68	71
Introduced deductibles	24	59	82
Increased deductibles	50	54	82
Introduced co-payments	22	52	81
Increased co-payments	27	48	78
Introduced plans to discourage hospitalization	47	83	81
Introduced pre-admission review	28	73	73
Introduced second opinions	54	84	73
Initiated utilization reviews	27	N/A	67
Offered HMO option	34	80	49
Initiated a PPO	9	82	51
Started a wellness program	26	97	67
Instituted incentives for health and safety procedures	12	98	58
Started a health advisory service	6	98	49
Started a medical case management program	10	95	46
Offered a choice of two or more health plans	8	92	48
Introduced a disability case management program	12	96	52
Introduced a salary related deductible program	7	80	39

[1]Acceptability, defined as the percent of employees whose employers have made these changes who say this kind of change is "very acceptable."

[2]Effectiveness, defined as the percent of corporate benefits officers who say this kind of change is "very effective" or "somewhat effective."

CHAPTER 1:
THE CONTEXT FOR COST CONTAINMENT IN 1985

Employee Attitudes Toward Their Benefits

Most employees in corporations with 500 or more employees, which were the focus for this study, are satisfied with their jobs, their salaries, their benefits and their health plans. However, the level and intensity of their satisfaction vary. While approximately half of these employees are very satisfied with their jobs (53%), their health plans (50%), and their benefits (47%), only one-third (34%) are very satisfied with their salaries.

Observation:

The level of satisfaction with health plans indicates that the steps taken so far by employers to control their health care costs have not, as yet, triggered any substantial backlash among most employees. Furthermore, the relatively high level of satisfaction with health plans as compared with salaries suggests that there is considerable room for many employers to make further changes in their plans.

Table 1-1

EMPLOYEE SATISFACTION WITH JOB, SALARY, BENEFITS AND HEALTH PLAN

Q.: (Employees) All in all, how satisfied would you say you are with your job—very satisfied, somewhat satisfied somewhat dissatisfied, or very dissatisfied?

Q.: (Employees) All in all, how satisfied would you say you are with your salary—very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

Q.: (Employees) And how satisfied are you with all of your other benefits apart from your salary—very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

Q.: (Employees) And how satisfied are you with the health insurance or health plan provided by your employer—very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

	Job	Salary	Benefits	Health Plan
Base: 1253				
	%	%	%	%
Very satisfied	53	34	47	50
Somewhat satisfied	35	45	35	30
Somewhat dissatisfied	8	13	11	12
Very dissatisfied	4	7	6	7
Not sure	1	*	*	*

*Less than 0.5%

Although half of all these employees are very satisfied with their health plans and the great majority are very or somewhat satisfied with their plans, the level of satisfaction is significantly lower among employees in plans with higher levels of cost-sharing. Employees with non-contributory plans or plans without deductibles are much more likely to be very satisfied with them than are employees with contributory plans and plans with deductibles.

While the differences between union and non-union employees are relatively small, non-union employees are slightly more likely to be very satisfied with their health benefits than are unionized employees.

Table 1-2

EMPLOYEE SATISFACTION WITH HEALTH PLAN: AMONG DIFFERENT GROUPS

Q. (Employees) And how satisfied are you with the health insurance or health plan provided by your employer—very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

				Type of Plan			
	All Employees	Union Membership Member	Union Membership Nonmember	Contributory	Non-contributory	With Deductible	Without Deductible
Base	1253	288	965	742	497	993	229
	%	%	%	%	%	%	%
Very satisfied	50	46	51	43	59	45	69
Somewhat satisfied	30	33	29	34	25	33	21
Somewhat dissatisfied	12	15	12	14	10	14	6
Very dissatisfied	7	6	8	8	6	9	4
Not sure	*	*	*	1	*	*	*

*Less than 0.5%

How Well Health Care Costs Are Under Control

Most employers think that their corporate health care costs are somewhat under control. Most brokers/consultants confirm this view, believing that most of their corporate clients' costs are somewhat under control.

However, a sizable minority of employers (from 21% of corporate benefits officers to 31% of senior executives) and of brokers/consultants (27%) think that corporate health care costs are still somewhat or totally out of control. And only 10% or less of these groups think that corporate health care costs are completely under control.

Employees' perceptions of their own health care costs are more gloomy. They are more or less equally divided between those who think that their health care costs are under control and those who think they are out of control.

Observation:

It is important to recognize that the answers given by employees refer to their own health care costs, while those of the employers and brokers/consultants refer to corporate health care costs; and that these are not the same thing. Indeed, as employers require their employees to share increasingly in the cost of their health care, the gap between employers' and employees' responses to questions of this kind may widen further.

Table 1-3

HOW WELL HEALTH CARE COSTS ARE UNDER CONTROL

Q. (Employees) In recent years a lot of attention has been on the inflation of health care costs. In general, would you say that the inflation of the health care costs for yourself and your family is completely under control, somewhat under control, somewhat out of control, or totally out of control?

Q. (Employers) Many companies are trying to control their health care costs. In general, would you say that the inflation of your corporate health care costs is completely under control, somewhat under control, somewhat out of control, or totally out of control?

Q. (Brokers/Consultants) First some questions about the health care costs of the companies you work with. In general, would you say that the inflation of their corporate health care costs is completely under control, somewhat under control, somewhat out of control, or totally out of control?

		Corporate Employers			
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1253	1250	200	200	110
	%	%	%	%	%
Completely under control	19	10	9	8	3
Somewhat under control	32	68	60	69	70
Somewhat out of control	32	19	28	21	26
Totally out of control	15	2	3	2	1
Not sure	2	1	1	1	-

Estimated Increase in Corporate Health Care Costs in 1985

Employers expect their corporate health care costs per employee to increase by between 7-8%, with senior corporate executives expecting a slightly higher increase than corporate benefits officers or human resource executives.

Brokers and consultants expect a higher (10%) rate of increase in 1985.

Observation:

It should be noted that the companies to which brokers and consultants are referring are not necessarily identical to the employers sampled (i.e., a representative cross-section of corporations of 500 or more employees). It is possible that both the employers and the brokers/consultants are accurate in their perceptions if the latter tend to work with companies with a higher rate of health care cost inflation.

Table 1-4

ESTIMATED (PERCENT) CHANGES IN CORPORATE HEALTH COSTS IN 1985 OVER 1984

Q.: (Employers) How much, in percentage terms, do you think your corporate health cost per employee will change in 1985 as compared with 1984?

Q.: (Brokers/Consultants) How much, in percentage terms, do you think the average corporate health cost per employee of the companies you work with will change in 1985 as compared with 1984?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
Estimated mean change	+ 7.3%	+ 8.1%	+ 7.0%	+ 10.3%

CHAPTER 2:
HOW HEALTH PLANS HAVE CHANGED IN THE LAST 3 YEARS

How Much Plans Have Changed

There is general agreement among employees, employers and brokers/consultants that the companies they work for, or with, have changed their health plans a great deal or somewhat over the last three years. However, the magnitude of the change is perceived differently. Over half (52%) of the brokers and consultants report that the companies they work with have changed their plans a great deal. Between 35-41% of the three employer groups (corporate benefits officer, senior executive and human resource executive) report that their companies have changed their plans a great deal. Only 22% of employees report that their health care plans have been changed a great deal.

Observation:

Many changes have been made and most employees and employers are aware of this. The most interesting finding here, however, is that employers and brokers/consultants perceive a greater magnitude of change than do employees. This would suggest that many employees are not all that sensitive to changes in their plans—or at least to the changes that have been made so far—perhaps because only a minority are affected.

Table 2-1

HOW MUCH EMPLOYERS HAVE CHANGED HEALTH PLANS OVER LAST 3 YEARS

Q.: (Employees) How much has your employer changed your health care plan over the last 3 years—a great deal, somewhat, not much, or not at all?

Q.: (Employers) How much would you say that you have changed your health care plans over the last 3 years in order to try to contain health care cost inflation—a great deal, somewhat, not much, or not at all?

Q.: (Brokers/Consultants) How much would you say that most of these companies have changed their health care plans over the last 3 years in order to try to contain health care cost inflation—a great deal, somewhat, not much, or not at all?

		Corporate Employers			
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1253	1250	200	200	110
	%	%	%	%	%
A great deal	22	41	35	39	52
Somewhat	37	32	40	37	39
Not much	20	15	18	14	7
Not at all	18	12	7	10	2
Not sure	3	*	2	*	*

*Less than 0.5%

Whether Changes Affected Mainly Union Employees or Non-Union Employees

Overall cost-containment changes in health plans have affected non-union employees more than union members. While half of the employers with unionized employees report that the changes affected both union and non-union employees equally, almost as many reported that these changes mainly affected only their non-union workers.

Table 2-2

WHETHER CHANGES IN HEALTH PLANS MAINLY AFFECTED UNION OR NON-UNION EMPLOYEES

Q : (Corporate Benefits Officers) Are any of your employees union members?

Q : (Corporate Benefits Officers) Did most of the changes you have made to your health plans affect both union and non-union employees, or did they mainly affect only one or the other?

	Corporate Benefits Officers
Base	1250
	%
Employers With Union Employees	**40**
Affected both equally	20
Affected mainly union employees	1
Affected mainly non-union employees	18
Employers With No Union Employees	**60**

Estimated Savings in Health Care Costs From Changes that Have Already Been Made

Most employers and the brokers/consultants who advise them believe the changes that have been made in the last three years have already helped them to make significant savings in their health care costs. The three employer groups who report having changed their plans a great deal or somewhat believe that their 1985 health care costs will be between 16% and 18% less than if they had not made any changes over the last three years. Brokers and consultants believe that the savings to the firms they advise average 15%.

Table 2-3

ESTIMATED 1985 SAVINGS IN HEALTH COSTS PER EMPLOYEE RESULTING FROM CHANGES MADE IN LAST 3 YEARS

Q.: (Employers) How much lower, in percentage terms, do you think your 1985 health cost per employee will be than it would have been if you had not made any changes over the last 3 years?

Q.: (Brokers/Consultants) How much lower, in percentage terms, do you think corporate 1985 health cost per employee will be than it would have been if these companies had not made any changes over the last 3 years?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/[2] Consultants
Base	915	149	152	100
Estimated mean savings among companies which changed their plans a great deal or somewhat[1]	17.2%	16.3%	17.9%	15.4%

[1] Based on total number of employers answering this question

[2] Base represents total numbers of broker/consultants answering this question

Effectiveness of Changes

The overwhelming majority of employers rate the changes they have made over the last three years as very or somewhat effective in controlling their health care costs. Only 9% or less of the three employer groups, and only 5% of the brokers/consultants rate these changes not very or not at all effective.

Observation:

It is clear from all of these data that the efforts made by the private sector over the last few years to contain the growth of their health care costs are already paying substantial dividends. However, (as Table 9-4 shows) the great majority of employers believe that they are only at the beginning of the process of containing their health care costs. By no means do they believe that they have yet done all that is necessary.

Table 2-4

EFFECTIVENESS OF CHANGES MADE IN HELPING TO CONTROL HEALTH CARE COSTS

Base: All those whose plans have changed a great deal or somewhat

Q. (Employers) Overall, how effective do you think that the changes you have made are — or will be — in helping you to control your health care costs — very effective, somewhat effective, not very effective, or not at all effective?

Q. (Brokers/Consultants) Overall, how effective do you think that the changes they have made are — or will be — in helping them to control their health care costs — very effective, somewhat effective, not very effective, or not at all effective?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	915	149	152	100
	%	%	%	%
Very effective	41	31	37	23
Somewhat effective	52	58	55	70
Not very effective	5	8	5	4
Not at all effective	*	1	*	1
Not sure	2	2	3	2

*Less than 0.5%

Acceptability to Employees of Changes in Health Plans

The great majority of employees (79%) whose plans have changed a great deal or somewhat over the last three years, regard these changes as at least somewhat acceptable. Indeed, one-third (34%) rate them very acceptable. The proportions who rate these changes not very or not at all acceptable are relatively small (16% and 5% respectively).

These views parallel the answers given by employers, who report that the changes that they have made have been very or somewhat acceptable to most of their employees.

However, reactions by employees vary significantly, depending on who they are, the type of plans they have, and the job done by employers in explaining the changes:

—Non-union employees are somewhat more likely to find the changes very acceptable than are unionized employees (even though the latter appear to have been affected rather less—see Table 2-2)

Table 2-5

ACCEPTABILITY OF CHANGES IN HEALTH PLANS MADE BY EMPLOYERS

Base: All those whose plans have changed a great deal or somewhat

Q.: (Employees) Overall, how acceptable have the changes made by your employer been to employees such as yourself—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

Q.: (Employers) Overall, how acceptable do you think the changes you have made have been to your employees—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

Q.: (Brokers/Consultants) Overall, how acceptable do you think the changes they have made have been to their employees—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

		Corporate Employers			
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	740	915	149	152	100
	%	%	%	%	%
Very acceptable	34	33	25	28	18
Somewhat acceptable	45	55	60	58	63
Not very acceptable	16	10	11	11	18
Not at all acceptable	5	*	*	1	
Not sure	*	2	1	2	1

*Less than 0.5%

—Employees who still have non-contributory plans or who pay no deductibles are much more likely to rate the changes made by their employers as very acceptable than are those who have contributory plans or those who pay deductibles.

—Employees who give their employers favorable ratings in explaining the changes are far more likely to find these changes acceptable than are those who give their employers poor ratings for communicating changes.

Observation:

These data, which are paralleled by other findings in the survey, indicate that most employers have been able to make changes in their health plans in order to get costs under control without provoking a substantial backlash from their employees.

They also show, however, that different employees react differently to different changes, and that one cannot generalize from the acceptability of changes in general to the acceptability of all specific changes.

Table 2-6

ACCEPTABILITY OF CHANGES IN HEALTH PLANS MADE BY EMPLOYERS: AMONG DIFFERENT GROUPS OF EMPLOYEES

Base: All employees whose plans have changed a great deal or somewhat

Q. Overall, how acceptable have the changes made by your employer been to employees such as yourself—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

	Base	Very	Somewhat	Not Very	Not at all
All employees	740	34%	45%	16%	5%
By Type of Employee					
Union members	155	25%	54%	14%	7%
Not union members	585	36%	42%	17%	4%
By Type of Plan					
Contributory	468	29%	47%	19%	5%
Non-contributory	265	43%	42%	11%	4%
Deductible	610	31%	46%	19%	5%
No deductible	113	50%	42%	4%	3%
By Job Done by Employer in Explaining Changes					
Excellent	209	60%	31%	8%	1%
Good	275	34%	51%	15%	*
Fair or poor	252	12%	50%	25%	12%

*Less than 0.5%

CHAPTER 3:
THE EXTENT, ACCEPTABILITY AND EFFECT OF INCREASED COST-SHARING BY EMPLOYEES

How Much Cost-Sharing Has Increased Over the Last 3 Years

- The magnitude of changes made over the last 3 years, and the extent to which employees have been required to pay a large share of their health care costs, varies widely from company to company and from employee to employee. Only relatively small proportions of companies (15-18% of the different employer groups) and of employees (16%) report that cost-sharing has increased a great deal. The largest numbers report that cost-sharing has increased somewhat or not much.

Sizable minorities (from 19-25%) of the three employer groups and 26% of employees report that there has been no increase in cost-sharing over the last three years.

Observations:

(1) Some employers have clearly been much more aggressive than others in increasing employee cost-sharing through contributions to premiums, deductibles, or co-payments.

(2) It should be noted that these questions were asked after the concepts of contributions, deductibles and co-payments had been explained in considerable detail to employees and employers. (Tables 4-1, 4-2, 5-1 and 6-1 report the responses to the questions in which these concepts were explained.) Interviewers working on this study reported that only a tiny minority of respondents appeared to have any difficulty in understanding these concepts after they had been explained. The low level of "not sure" replies confirms this.

Acceptability of Increased Cost-Sharing to Union and Non-Union Employees

Unionized employees are slightly, but not substantially, more likely to regard increased cost-sharing as unacceptable. This is indicated both by the differences between the replies of union and non-union employees and by the perceptions of their employers. By 55-44% a majority of non-union employees report that the increased cost to employees is acceptable. By 53-46% a majority of union employees report that the changes are unacceptable.

Table 3-1

HOW MUCH COST-SHARING BY EMPLOYEES HAS INCREASED OVER LAST 3 YEARS

Q. (Employees) Comparing your health plan today with your health plan 3 years ago, how much would you say that the amount paid by employees such as yourself—through contributions to premiums, deductibles, or co-payments—has increased—a great deal, somewhat, not much, or not at all?

Q. (Employers) Comparing your health plan today with your health plan 3 years ago, how much would you say cost-sharing by your employees—through contributions to premiums, deductibles, or co-payments—has increased—a great deal, somewhat, not much, or not at all?

Q. (Brokers/Consultants) Comparing the health plans today of most of the companies you work with and their health plans 3 years ago, how much would you say cost-sharing by their employees—through contributions to premiums, deductibles, or co-payments—has increased—a great deal, somewhat, not much, or not at all?

		Corporate Employers			
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1253	1250	200	200	110
	%	%	%	%	%
A great deal	16	18	17	15	37
Somewhat	34	34	37	37	44
Not much	23	23	27	23	17
Not at all	26	24	19	25	2
Not sure	2	2	2	1	

Observation:

These findings and other data in this report indicate it is somewhat more difficult for employers to increase cost-sharing for unionized employees, and that unionized employees are more likely to resist such changes.

Table 3-2

ACCEPTABILITY TO UNION AND NON-UNION EMPLOYEES OF MOST RECENT INCREASE IN COST-SHARING

Base: All employees whose cost-sharing has increased a great deal or somewhat

Q. (Employees) The last time your employer increased the cost to employees, how acceptable was this change to you—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

Q. (Employers) The last time you increased the cost-sharing for union employees, how acceptable do you think this change was to most of those employees—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

Q. (Employers) The last time you increased the cost-sharing for **non-union employees**, how acceptable do you think this change was to most of those employees—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

				In Relation to Union Employees	In Relation to Non-Union Employees		
	All Employees	Union Employees	Non-Union Employees	Corporate Benefits Officers	Corporate Benefits Officers	Senior Executives	Human Resources Executives
Base	624	133	487	136	641	107	104
	%	%	%	%	%	%	%
Very acceptable	10	7	11	9	14	11	18
Somewhat acceptable	43	39	44	43	50	62	47
Not very acceptable	30	35	28	30	27	22	24
Not at all acceptable	16	18	16	9	4	2	4
Not sure	1	2	1	4	4	2	6
Not applicable*	NA	NA	NA		1	1	1

*NA" means that the question was not asked.

Note: The sub-sample of senior executives and human resource executives with union employees are not large enough to provide reliable data and, therefore, are not shown here.

Effect of Increased Cost-Sharing on Employee Behavior in the Use of Health Care Services

Two views are frequently expressed about the impact of increased cost-sharing on employees. One view is that increased cost-sharing causes employees to reduce their total health care spending by cutting out some inessential use of medical services, by encouraging them to compare medical fees, and to shop around for cost-effective services. Another view is that increased cost-sharing does not affect behavior, but merely shifts more of the cost of the same services to employees.

This survey appears to confirm both theories. While 41% of employees affected by increased cost-sharing report that this has changed their behavior a great deal or somewhat, 25% say that their behavior has changed not much, and 32% say that it has not changed at all.

Employers and their consultants look at the same issue, not in terms of each and every employee, but in terms of employees in the aggregate. Majorities of employers and consultants report that employee behavior has been affected a great deal or somewhat, which is not inconsistent with the replies given by individual employees.

The impact on employee behavior in the use of health care services is highly correlated with income. A majority of employees earning $15,000 or less, who have been affected by cost-sharing, report that their behavior has been affected a great deal or somewhat. Only a relatively small proportion (24%) of those earning $35,000 a year or more report that their behavior has been affected.

Observation:

Increased cost-sharing appears to be at least somewhat successful in reducing not only corporate health care costs, but national health care costs.

Increases in employee cost-sharing as a result of changes in corporate health care plans are, it seems, starting to have some impact on consumer behavior and, therefore, on total health care spending. If this trend grows and continues, and if there are parallel changes in behavior by Medicare and Medicaid recipients, then increased cost-sharing will help to contain the growth of health care costs for the nation as a whole.

However, it should also be noted that increased cost-sharing affects the behavior of low income groups much more than that of middle or high income groups. Those who can afford to spend more money on health care services will do so. Those who cannot afford to do so will either use lower cost health care facilities, or use them less, or both. This finding provides strong support for the idea of salary-related deductibles.

Table 3-3

HOW MUCH INCREASED COST-SHARING HAS CHANGED EMPLOYEE BEHAVIOR IN THE USE OF HEALTH CARE SERVICES

Base: All whose plans have increased employee cost sharing a great deal or somewhat

Q.: (Employees) Some people think that increased cost-sharing by employees reduces their total health care spending by cutting out some inessential use of medical services and by encouraging them to compare medical fees. Other people think that increased cost-sharing merely shifts more of the cost to employees, without changing their behavior. How much do you think increased cost-sharing has changed the way you and your family use health care services in order to save money—a great deal, somewhat, not much, or not at all?

Q.: (Employers) Some people think that increased cost-sharing by employees helps to limit their total health care spending by cutting out some inessential use of medical services and by encouraging them to compare medical fees. Other people think that increased cost-sharing merely shifts more of the cost to employees, without changing their behavior. From what you have seen of **your** employee health costs, how much do you think increased cost-sharing has changed employee behavior and helped to limit total employee health care spending—a great deal, somewhat, not much, or not at all?

Q.: (Brokers/Consultants) Some people think that increased cost-sharing by employees helps to limit their total health care spending by cutting out some inessential use of medical services and by encouraging them to compare medical fees. Other people think that increased cost-sharing merely shifts more of the cost to employees, without changing their behavior. From what you have seen of employee health costs, how much do you think increased cost-sharing has changed employee behavior and helped to limit total employee health care spending—a great deal, somewhat, not much, or not at all?

		Corporate Employers			
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	624	641	107	104	89
	%	%	%	%	%
A great deal	14	15	13	16	23
Somewhat	27	51	51	53	48
Not much	25	21	24	22	25
Not at all	32	8	9	6	3
Too early to say	*	3	1	3	—
Not sure	1	2	1		1

*Less than 0.5%

Note: Because of the differences between the questions put to the different samples the responses of the different groups are not exactly comparable.

Table 3-4

HOW MUCH INCREASED COST-SHARING HAS CHANGED EMPLOYEE BEHAVIOR IN THE USE OF HEALTH CARE SERVICES: BY INCOME

Base: All employees whose cost-sharing has increased a great deal or somewhat

Q. (Employees) Some people think that increased cost-sharing by employees reduces their total health care spending by cutting out some inessential use of medical services and by encouraging them to compare medical fees. Other people think that increased cost-sharing merely shifts more of the cost to employees, without changing their behavior. How much do you think increased cost-sharing has changed the way you and your family use health care services in order to save money—a great deal, somewhat, not much, or not at all?

		Income From Employers			
	All Employees	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 or More
Base	624	184	167	130	126
	%	%	%	%	%
A great deal	14	24	13	10	5
Somewhat	27	28	32	30	19
Not much	25	28	22	25	25
Not at all	32	19	33	33	50
Not sure	1	1	1	2	1

CHAPTER 4:
THE USE OF 18 DIFFERENT COST CONTAINMENT MECHANISMS

Table 4-1 shows the number of employees in corporations with 500 or more employees, who report that their plans have, or do not have, different health care cost containment mechanisms.

It is clear from the replies that the use of these different mechanisms by corporate employers varies widely. While most employees report that they pay deductibles and that they contribute to their health insurance premiums, only very small minorities report that their plans include salary-related deductibles or medical case management programs.

Observations:

(1) The replies given by employees in Table 4-1 are a measure of what employees believe their plans include. They are not necessarily completely accurate. The relatively high level of "not sure" responses given to some of the less well known mechanisms is one indication of employee ignorance. Furthermore, the percentages for some of the claimed features (e.g., DRGs and PPOs) seem improbably high.

(2) A very important finding here is the very large number of employees whose plans do not apparently include the various cost control mechanisms. While most employees are affected by cost-sharing, fully 30% do not pay deductibles, 46% do not pay co-payments, and 40% do not contribute to their insurance premiums.

Furthermore, only relatively small minorities (33% or less) report that their plans include each of the many other elements listed. While minorities of employers appear to be using these cost control mechanisms, most employers are still not doing so.

(3) The fact that employees report that an element is included in their plans does not necessarily mean that they use it. While 32% of these employees are aware of the opportunities to join HMOs, only 7% reported that they were HMO members. While 24% report that they have the opportunities to join a PPO, only 5% report that they have done so.

Table 4-1

REPORTED PREVALENCE OF DIFFERENT HEALTH CARE COST CONTROL MECHANISMS

Base: All employees

Q.. (Employees) Many employers have tried to design employee health plans to slow down the inflation of the costs to the company. I will read you a short list of elements of some health care plans designed to contain costs. Would you please tell me for each one if it applies to your health insurance plan, or not?

	Applies	Does Not Apply	Not Sure
Base: 1253	%	%	%
A contributory plan in which employees pay part of their health insurance premiums	59	40	1
A deductible paid by employees before the plan starts to cover their medical expenses	68	30	2
Co-payments by employees covering part of each medical bill so that insurance covers only part of each bill	49	46	5
Financial incentives for employees who have tests and minor surgery done in clinics and doctors' offices or disincentives for those who have them done in hospitals	28	62	10
Pre-admission reviews requiring employees to obtain approval before admission to hospitals for non-emergency care	25	69	6
Requiring employees to get a second opinion by a medical professional for non-emergency surgery or other non-emergency treatments	28	67	5
Prospective payments to hospitals based on so-called DRG's so that the fees paid to hospitals for treating all patients with particular types of diagnoses are fixed	25	58	17
Prospective payments to doctors based on DRG's so that the fees paid to doctors for treating all patients with particular types of diagnoses are fixed	28	57	15
The opportunity for employees to join an HMO or health maintenance organization in which you pay a monthly fee in advance for nearly all your health and medical care instead of your doctor or hospital billing you or your insurance company each time you use them	32	64	4

(Continued)

Table 4-1 (Continued)

REPORTED PREVALENCE OF DIFFERENT HEALTH CARE COST CONTROL MECHANISMS

Base: All employees

	Applies	Does Not Apply	Not Sure
Base: 1253			
	%	%	%
The use of a PPO or preferred provider organization for each illness or treatment, the employee can choose from a list of physicians and hospitals which have agreed to provide service to plan participants at a reduced cost	24	71	5
A health promotion or wellness program where employees can get advice and help on how to improve their health and prevent disease	29	66	5
Financial incentives to encourage employees to practice health and safety procedures such as not smoking, using seatbelts, or maintaining proper weight	25	73	2
An employee health advisory service with a nurse available to explain to employees their health benefits, help identify appropriate treatment facilities, and answer related questions	33	65	3
A medical case management program which provides a medical professional to manage high-cost catastrophic illness or injuries by working with the patient, family, and physician to develop long-term treatment plans	15	73	12
A disability case management program which provides a health care professional to work with disabled employees to develop a plan to facilitate the return to work	26	61	13
A salary-related deductible so that higher paid employees have a larger deductible than lower paid employees	9	82	9

Changes in Corporate Health Plans in the Last 3 Years

Table 4-2 shows how many employees and employers report having made each of 18 different changes in their health care plans over the last 3 years.

The number of employers making such changes, and the number of employees affected by them, vary widely from one mechanism to another. For example, half of all corporate benefits officers report that their companies have increased deductibles, and just over half (54%) report that they have instituted second opinions. However, 10% or fewer employers report having started using a PPO, offering an employee health advisory service, offering employees a choice of different health care plans, or using a salary-related deductible.

Observations:

(1) It is a reasonable assumption that the corporate benefits officers' replies are an accurate reflection of the changes made by their companies, but that employees are less well informed, and that their replies reflect their knowledge and perceptions (or misperceptions). However, it is also true that if both samples gave completely accurate replies to this question, there would still be differences. In the sample of corporate benefits officers, each company has equal weight regardless of the number of employees. The employees' sample, by definition, gives each and every employee (in companies with 500 or more employees) an equal probability of selection and, therefore, includes more employees of large companies than does the employer sample.

(2) Notwithstanding this difference in the two samples, some of the differences between the two groups are striking. For instance, while almost half of all employers report that their companies offer financial incentives to employees to have tests and minor surgery done outside hospitals, only 15% of employees report that their plans include such incentives. It seems highly probable that this difference reflects ignorance on the part of the employees. The same reason—employee ignorance—may also explain the relatively low level of awareness by employees that their plans require prior approval or second opinions.

On the other hand, many more employees than employers (31% as compared with 8%) report that their plans have been changed to offer a choice between different health plans. Whether this reflects a different interpretation of what these words mean—and what actually constitutes a choice—or whether there is some other explanation for this difference is unclear. Indeed, some employees may regard the HMO option as a choice between different plans.

Table 4-2

CHANGES MADE BY EMPLOYERS TO HEALTH PLANS IN LAST 3 YEARS

Q.: (Employees) Now I would like to ask you about changes that your company has made in your health care plan during the last 3 years. During the last 3 years has your employer (READ EACH ITEM)?

Q.: (Corporate Benefits Officers) Now I would like to ask you about changes that your company has made in your health care plans for any of your employees during the last 3 years. During the last 3 years have you (READ EACH ITEM)?

	Employees	Corporate Benefits Officers
Base	1253	1250
	%	%
Changed your plan from a noncontributory **to a contributory plan**, so that you now pay part of your own health insurance premiums	19	21
Required employees such as yourself who previously paid no deductible **to pay a deductible**	21	24
Increased the deductible you pay	35	50
Required employees such as yourself **to cover part of their medical bills** where previously the insurance covered the whole cost of these bills	24	22
Increased the proportion of each medical bill paid by employees by reducing the amount paid by the insurance	18	27
Introduced financial incentives for employees who have tests and minor surgery done outside hospitals or disincentives for those who have these done in hospitals	15	47
Started a new program in which **employees are required to obtain approval** from the insurance company before non-emergency treatment	15	28
Started a new program in which **employees are required to obtain second opinions** by a medical professional before non-emergency surgery or treatment	22	54
Initiated utilization reviews by health care professionals where no such reviews were required before	N/A	27

(Continued)

Table 4-2 (Continued)

CHANGES MADE BY EMPLOYERS TO HEALTH PLANS IN LAST 3 YEARS

	Employees	Corporate Benefits Officers
Base	1253	1250
	%	%
Offered you **the opportunity to join an HMO**, or health maintenance organization, when you did not have that opportunity before	26	34
Started using a PPO, or preferred provider organization, in which you can choose your doctors or hospitals when you need them from a list approved by the plan — or pay a higher cost for using a doctor or hospital not on the list	17	9
Started a **health promotion or wellness program** where employees can get advice and help on how to improve their health and prevent disease	22	26
Instituted **financial incentives to encourage employees to practice health and safety procedures**	22	12
Started an **employee health advisory service** with a nurse available to explain to employees their benefits, treatments, facilities, and answer questions	17	6
Started a **medical case management program** with a medical professional to work with the patient	8	10
Offered employees **a benefits program** in which they can **choose between different health plans** or choose additional benefits	31	8
Started a **disability case management program** with a health care professional to work with disabled employees	11	12
Started a **salary-related deductible** plan, so that higher paid employees have a larger deductible than lower paid employees	6	7

Note: The plan descriptions shown here are those used in the employee questionnaire. Those used in the employer questionnaire were slightly different (e.g. referring not to "you" but to "employees").

N/A = Not asked of Employees

CHAPTER 5:
THE ACCEPTABILITY TO EMPLOYEES OF 17 DIFFERENT CHANGES EMPLOYERS CAN MAKE TO CONTAIN THEIR HEALTH CARE COSTS

Table 5-1 shows the acceptability, or unacceptability, to employees of 17 different changes that employers can make to their health care plans. For each mechanism the responses are shown for all employees—whether or not they have been affected by such changes—and for the minority of employees who report that they have been affected by such changes.

With one exception, majorities of employees report that all of these changes are very or somewhat acceptable. This is true both of employees, in general, and of those who have been directly affected.

The one exception is increased co-payments ("increasing the proportion of each medical bill paid by employees"), which is acceptable to 49% of all employees and 48% of those affected, but unacceptable to 49% of employees and 52% of those affected.

The level of acceptability of these different mechanisms varies greatly. Some changes appear to be perceived as additional benefits and are almost universally welcomed—for example, wellness programs, financial incentives to those who practice health and safety procedures, employee health advisory services, medical case management programs, disability case management programs, and the opportunity to choose between different health plans. It is interesting that many employees also seem to interpret second opinions in this way, as an additional benefit.

Unsurprisingly, changes which involve increased cost-sharing, such as increased employee contributions or increased deductibles (as well as increased co-payments), are accepted much more grudgingly and are not very or at all acceptable to sizable numbers of employees.

There are a number of important similarities and differences between the replies given by employees, in general, and by those who have been affected by specific changes. The reactions of employees directly affected by increased cost-sharing do not differ greatly from those of all employees.

Majorities of those affected by increased employee contributions, increased deductibles, and the introduction of co-payments, report that such changes are acceptable (as do employees, in general). The reactions of those affected by increased co-payments do not differ significantly from those of all employees (with only minorities of 49% and 48%, respectively, finding this change acceptable).

On most of the other changes examined in this question, the proportions of those directly affected who find the changes acceptable are larger (sometimes very much larger) than they are among employees, in general.

Observations:

(1) Table 5-1 provides a powerful evidence that most employees affected by most of the changes that have been made to health care plans over the last few years regard them as at least somewhat acceptable—the one important exception being the slender 52% of those affected by increased co-payments, who regard them as unacceptable.

The responses given by both those affected and by all employees strongly suggest that in the next 2 or 3 years, many employers will be able to increase cost-sharing somewhat, particularly through increased contributions and increased deductibles, without provoking a massive backlash from their employees. However, large numbers of employees, albeit minorities, are strongly opposed to such changes.

(2) The high levels of acceptance of most of the listed changes which do not involve increased cost-sharing, indicate that most employers will find it relatively easy to introduce these elements into their plans; and that, indeed, many of these changes will be perceived not as constraints or reduced benefits, but as additional benefits.

(3) The widespread acceptance of alternative delivery systems such as HMOs and PPOs, particularly by those employees affected, is very striking.

Table 5-1

ACCEPTABILITY TO EMPLOYEES OF CHANGES EMPLOYERS CAN MAKE TO CONTAIN HEALTH CARE COSTS

Base: All employees and all employees affected by each change

Q. (Employees) And how acceptable do you think this change is as a way of containing health care costs—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable? We'd be interested in your opinion even if this does not apply to your company or your health plan.

	Base	Very Acceptable	Somewhat Acceptable	Not Very Acceptable	Not at All Acceptable	Not Sure
Changed your plan from a noncontributory to a contributory plan so that you now pay part of your own health insurance premiums	All employees	1253	21%	42%	18%	16%	4%
	(Those affected)	(241)	(20%)	(46%)	(19%)	(12%)	(1%)
Required employees such as yourself who previously paid no deductible **to pay a deductible**	All employees	1253	20%	45%	19%	14%	3%
	(Those affected)	(257)	(15%)	(44%)	(23%)	(18%)	-
Increased the deductible you pay	All employees	1253	18%	36%	26%	19%	2%
	(Those affected)	(443)	(15%)	(39%)	(27%)	(19%)	(1%)
Required employees such as yourself **to cover part of their medical bills** where previously the insurance covered the whole cost of these bills	All employees	1253	17%	36%	26%	20%	2%
	(Those affected)	(295)	(11%)	(41%)	(29%)	(18%)	(1%)
Increased the proportion of each medical bill paid by employees by reducing the amount paid by the insurance	All employees	1253	15%	34%	29%	20%	2%
	(Those affected)	(225)	(11%)	(37%)	(33%)	(19%)	*
Introduced **financial incentives for employees who have tests and minor surgery done outside hospitals or disincentives** for those who have these done in hospitals	All employees	1253	27%	41%	17%	12%	3%
	(Those affected)	(192)	(42%)	(41%)	(11%)	(6%)	(1%)
Started a new program in which employees are required **to obtain approval** from the insurance company before non-emergency treatment	All employees	1253	20%	33%	23%	21%	2%
	(Those affected)	(184)	(29%)	(44%)	(17%)	(10%)	-
Started a new program in which employees are required to obtain **second opinions** by a medical professional before non-emergency surgery or treatment	All employees	1253	21%	37%	18%	12%	3%
	(Those affected)	(137)	(49%)	(35%)	(8%)	(8%)	*

(Continued)

Table 5-1 (Continued)

ACCEPTABILITY TO EMPLOYEES OF CHANGES EMPLOYERS CAN MAKE TO CONTAIN HEALTH CARE COSTS

Base: All employees and all employees affected by each change

		Base	Very Acceptable	Somewhat Acceptable	Not Very Acceptable	Not at All Acceptable	Not Sure
Offered you the **opportunity to join an HMO** or health maintenance organization when you did not have that opportunity before	All employees	1253	34%	36%	13%	10%	6%
	(Those affected)	(320)	(54%)	(26%)	(10%)	(10%)	(1%)
Started using a PPO or preferred provider organization, in which you can choose your doctors or hospitals when you need them from a list approved by the plan—or pay a higher cost for using a doctor or hospital not on the list	All employees	1253	26%	36%	20%	15%	3%
	(Those affected)	(207)	(48%)	(34%)	(12%)	(6%)	(1)
Started a **health promotion or wellness program** where employees can get advice and help on how to improve their health and prevent disease	All employees	1253	51%	33%	9%	5%	2%
	(Those affected)	(271)	(78%)	(19%)	(2%)	(1*)	(1%)
Instituted **financial incentives to encourage employees to practice health and safety procedures**	All employees	1253	49%	35%	8%	3%	2%
	(Those affected)	(272)	(70%)	(28%)	(2%)	(1)	(1)
Started an **employee health advisory service** with a nurse available to explain to employees their benefits, treatments, facilities, and answer questions	All employees	1253	53%	30%	10%	5%	2%
	(Those affected)	(218)	(78%)	(20%)	(1%)	(1%)	(1%)
Started a **medical case management program** with a medical professional to work with the patient	All employees	(253	43%	38%	11%	6%	3%
	(Those affected)	(101)	(78%)	(17%)	(3%)	(1%)	(1%)
Offered employees a benefit program in which they can **choose between different health plans** or choose additional benefits	All employees	1253	51%	32%	9%	6%	2%
	(Those affected)	(330)	(71%)	(21%)	(6%)	(1%)	(1%)
Offered **a disability case management program** with a health care professional to work with disabled employees	All employees	1253	47%	36%	9%	6%	3%
	(Those affected)	(131)	(78%)	(18%)	(2%)	(1%)	(1%)
Started **a salary-related deductible** plan so that higher paid employees have a larger deductible than lower paid employees	All employees	1253	22%	30%	25%	20%	3%
	(Those affected)	(74)	(38%)	(42%)	(14%)	(7%)	(-)

*Less than 0.5%

CHAPTER 6:
THE EFFECTIVENESS OF 18 DIFFERENT COST CONTAINMENT MECHANISMS

Employers are generally optimistic about the effectiveness of many of the cost containment mechanisms studied in this survey. Table 6-1 shows how effective corporate benefits officers think each of these mechanisms are. The replies given by senior corporate executives and human resource executives (not shown here) are broadly similar.

Increased cost-sharing, whether through increased contributions, co-payments, or deductibles, are thought to be effective by the overwhelming majority of employers.

Other mechanisms which are also widely seen to be effective include financial incentives for employees to have tests and minor surgery done outside hospitals, pre-admission reviews, second opinions, utilization reviews, and wellness programs.

Majorities, but smaller ones, of employers also believe in the effectiveness of PPOs, financial incentives to encourage health and safety procedures, and disability case management programs.

Pluralities, but not majorities, of employers believe in the effectiveness of HMOs, employee health advisory services, medical case management programs, and flexible or cafeteria benefits plans.

Employers are more likely to hold opinions about some of these programs than about others. For example, 22% or more of corporate benefits officers are not sure about the effectiveness of PPOs, medical case management programs, or disability case management programs.

Sizable minorities of employers do not share the optimistic, conventional wisdom that these programs are effective. Fully 38% of corporate benefits officers rate HMOs not very, or not at all effective, and 31% have doubts about the effectiveness of financial incentives to employees to practice health and safety procedures. Thirty-three percent rate employee health advisory services as not very, or not at all effective; 38% have similar doubts about flexible or cafeteria benefits plans; and fully 41% do not think that salary-related deductibles are likely to be effective.

Table 6-1

PERCEIVED EFFECTIVENESS OF CHANGES EMPLOYERS CAN MAKE TO CONTAIN HEALTH CARE COSTS

Base: All corporate benefits officers

Q. (Corporate Benefits Officers) And how effective do you think this change is as a way of containing health care costs—very effective, somewhat effective, not very effective, or not at all effective. (We'd be interested in your opinion even if you have no evidence from your own company.)

	Very Effective	Somewhat Effective	Not Very Effective	Not at All Effective	Not Sure
Base: 1250	%	%	%	%	%
Changed any plan from a **noncontributory to a contributory plan**; that employees pay a part of their own health insurance premiums	23	48	18	7	5
Required employees who previously paid no deductible **to pay a deductible**	34	48	10	2	6
Increased the deductibles paid by employees	31	51	12	3	3
Required employees who previously did not make co-payments **to make co-payments** to cover part of their medical bills	31	50	10	3	7
Increased the size of **co-payments** paid by employees	26	52	11	3	8
Introduced **financial incentives** for employees who have tests and minor surgery done outside hospitals or **disincentives** for those who have these done in hospitals	34	47	8	3	8
Started **a pre-admission review** program for employees who did not need to obtain prior approval previously	27	42	12	4	11
Instituted **second opinions** by a medical professional for non-emergency surgery or treatment for employees who did not need to get second opinions before	29	44	15	4	8
Instituted **utilization reviews** by health care professional when no such reviews were obtained before	20	47	12	4	16
Offered an **HMO** option to employees who did not have that option before	16	31	24	14	13
Started using a **PPO** or preferred provider organization	12	29	18	8	33
Started a **health promotion or wellness program** (where employees can get advice and help on how to improve their health and prevent disease)	16	49	16	6	13
Instituted **financial incentives** to encourage employees to practice health and safety procedures	14	44	25	6	11
Started an **employee health advisory service**	9	40	26	7	18
Started a **medical case management** program	10	36	19	6	30
Offered employees a new **flexible** or **cafeteria benefits plan**	15	33	25	13	14
Offered a **disability case management** program	11	41	21	6	20
Started a **salary-related deductible plan**	10	29	28	13	20

CHAPTER 7:
EXPERIENCES OF IMPLEMENTING CHANGES AND COMMUNICATING THEM TO EMPLOYEES

Employers who have increased cost-sharing by their employees in the last three years report widely differing experiences in communicating these changes to employees. Only a relatively small number (from 21% of senior executives to 15% of corporate benefits officers) found that it was very easy to communicate these changes, while large numbers reported that it was very or somewhat difficult.

However, most employers found it easier to get employee acceptance of changes involving increased cost-sharing than they had anticipated.

Observations:

(1) The fact that most employers found it easier than they had anticipated to win employee acceptance of increased cost-sharing is further confirmation that most employees are willing to go along with such changes; and that employee resistance to them can be addressed successfully by employers.

(2) However, the finding that so many employers—including 47% of corporate benefits officers—found it was very or somewhat difficult to communicate these changes, underlines the importance of using the best communication techniques. It would seem that there is much to be learned from employers who have done this successfully.

Table 7-1

HOW EASY OR DIFFICULT EMPLOYERS FELT IT WAS TO COMMUNICATE CHANGES TO THEIR EMPLOYEES

Base: All employers who increased cost-sharing by employees a great deal or somewhat

Q. (Employers) How easy or difficult was it to communicate the changes you made in employee health benefits and the reasons for them—very easy, somewhat easy, somewhat difficult, or very difficult?

	Corporate Employers		
	Corporate Benefits Officers	Senior Executives	Human Resource Executives
Base	641	107	104
	%	%	%
Very easy	15	21	16
Somewhat easy	37	37	43
Somewhat difficult	40	39	31
Very difficult	7	2	10
Not sure	1	1	—

Table 7-2

WHETHER EMPLOYERS' EXPERIENCE IN CHANGING HEALTH PLANS WAS HARDER OR EASIER THAN THEY HAD ANTICIPATED

Base: All whose plans have increased employee cost-sharing a great deal or somewhat

Q. (Employers) Looking back on your experience in making changes in your health care plans, would you say that it was harder or easier to get employee acceptance of changes than you had anticipated?

	Corporate Employers		
	Corporate Benefits Officers	Senior Executives	Human Resource Executives
Base	641	107	104
	%	%	%
Harder	25	15	23
Easier	59	63	59
Same as anticipated	14	19	17
Not sure	3	4	1

Methods Used to Explain Changes to Employees

The overwhelming majority of employees whose plans have changed a great deal or somewhat in the last 3 years report that they received documents describing the changes at their work places. A slender majority (53%) report that the changes were explained at small meetings with 50 or less employees present; just under half report that they received documents at home; and just over one-quarter reported that their companies used larger meetings of 50 or more employees.

The more that each of these techniques were used, the more likely employees were to rate the job done by their employees in explaining these changes favorably.

Observations:

(1) While it is impossible to tell from these data what was the precise impact of each of these four methods of communication, it would seem that all of them help. Employees who rate their employers' communications as excellent were more likely to have been reached by all four methods of communication.

(2) Two of these communications media seem, however, to be particularly effective. Those who rate their employers' communications as excellent were much more likely to have received documents describing the changes at their homes, and much more likely to have attended small meetings of employees than were employees who rate their employers' communications as only fair or poor.

Table 7-3

METHODS USED TO EXPLAIN CHANGES TO EMPLOYEES

Base: All employees whose plans changed a great deal or somewhat

Q (Employees) Which of the following methods did your employer use to explain the changes in your health plan?

		Job Done by Employer in Explaining Changes		
	Employees	Excellent	Good	Fair or Poor
Base:	740	209	275	252
	%	%	%	%
Documents describing the plan which were given to employees at work	85	90	88	76
Documents describing the plan which were sent to employees at their homes	45	53	46	34
One or more small meetings with less than 50 employees present	53	66	53	40
One or more large meetings with 50 or more employees present	28	31	22	26

A majority of employers who increased cost-sharing by their employees believe that their employees understood the need for changes in order to get health care costs under control. Only one-third or less of each of the employer groups think that their employees understood the necessity for changes not very well or not at all well.

Table 7-4

EMPLOYERS' PERCEPTIONS OF HOW WELL THEIR EMPLOYEES UNDERSTOOD NECESSITY FOR CHANGES

Base: All employers who increased cost-sharing by employees a great deal or somewhat

Q. (Employers) How well do you think most of your employees understand the necessity for changes in health care plans in order to get health care costs under control — very well, somewhat, not very well, or not at all?

	Corporate Employers		
	Corporate Benefits Officers	Senior Executives	Human Resource Executives
Base	641	107	104
	%	%	%
Very well	22	29	33
Somewhat	47	41	36
Not very well	28	26	28
Not at all well	4	3	3
Not sure	*	1	1

*Less than 0.5%

Job Done By Employer in Explaining Changes In Health Plans To Employees

A majority of employees whose plans changed a great deal or somewhat give their employers positive marks for the job they did in explaining the changes to them. Sixty-seven percent of those whose plans changed a great deal rate the communications efforts excellent or good; only 32% rate them fair or poor.

This response is not uniform. Non-union employees evaluate their employers much more positively than do union members, of whom only 52% rate their employers positively. And employees whose plans changed a great deal are somewhat more likely to rate their employers' efforts as excellent than are those whose plans changed only somewhat.

Table 7-5

JOB DONE BY EMPLOYER IN EXPLAINING CHANGES IN HEALTH PLANS TO EMPLOYEES

Base: All employees whose plans changed a great deal or somewhat

Q.: (Employees) How would you rate the job your employer did in explaining the changes in your health plan to you—excellent, good, fair, or poor?

				Plan Changed	
	Employees	Union Members	Non-Union Members	A Great Deal	Somewhat
Base	740	155	583	272	468
	%	%	%	%	%
Excellent	28	16	32	32	26
Good	37	36	38	35	39
Fair	24	34	22	18	28
Poor	10	14	9	13	8
Not sure	1	1	1	1	*

*Less than 0.5%

Adding New Benefits to Make Changes More Acceptable

A majority of employers, but only 30% of employees who have been affected by increased cost-sharing, report that new benefits were added to their plans to make the changes more acceptable.

The new benefit most widely appreciated in these circumstances is the addition of a dental plan. Indeed, no other single type of change seems to have been widely appreciated by more than a handful of employees.

There are several changes which a signficant number of employers think were appreciated, but which received hardly any mention by employees. These include increased out-patient benefits, and increased major medical coverage.

Observation:

The significant discrepancy between the replies of employers and employees almost certainly reflects more than the difference between the two samples. It strongly suggests that many employees are scarcely or not at all aware that they have received any additional benefits.

There is general agreement among the great majority of employees who have received additional benefits, employers, and brokers/consultants that these were important in winning the acceptance of employees. Only 14% of employees, and 20% or less of each of the employer groups, think that these additions were not very or not at all important.

Observation:

While these data show that additional benefits do, indeed, help to win employee acceptance for changes, it should be noted that they are by no means essential in every case. Replies to a number of other questions show generally favorable, or at least accepting, reactions to the changes, even where no new benefits were added.

Table 7-6

MOST APPRECIATED BENEFITS ADDED TO HEALTH PLANS TO MAKE CHANGES MORE ACCEPTABLE

Base: All whose plans have increased cost-sharing by employees a great deal or somewhat

Q.. (Employees) In making changes in the health plans for employees such as yourself, did your employer also add any new benefits to make the changes more acceptable?

Q.. (Employees) What one additional benefit do you think was most appreciated and valued by employees such as yourself?

Q.. (Employers) In making changes in the health plans for your employees, did you also add any new benefits to make the changes more acceptable, or for any other reason?

Q.. (Employers) What one additional benefit do you think was most appreciated and valued by your employees?

		Corporate Employers		
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives
Base	624	641	107	104
	%	%	%	%
All With Added Benefits	30	55	57	55
Benefits Most Appreciated				
New dental plan	9	12	14	5
Increased dental benefits	*	*	4	2
Vision/eye care benefits	1	2	4	3
Increased outpatient benefits	*	8	7	5
Increased major medical	*	3	6	5
401(k) plan	*	3	1	0
Prescription drug coverage	1	3	2	3
Additional life insurance	1	3	1	6
Short term disability	*	1	1	1
Long term disability	*	1	1	1
HMO option	1	1	1	*
Increased accident coverage	*	1	*	3
Increased employer contributions	*	1	2	*
Psychiatric/drug coverage	*	1	1	2
Maternity benefits	*	1	1	2
Wellness program	*	1		1
Increased benefits (unspecified)	2			
PPO option	1			
Offered choice of 2 plans	1			
Flexible plans	1			
All other mentions	9	12	11	14
Not sure	3	1	1	2

*Less than 0.5%

Table 7-7

IMPORTANCE OF ADDING BENEFITS IN WINNING EMPLOYEE ACCEPTANCE OF CHANGES IN HEALTH PLANS

Base: All whose plans added benefits and increased cost-sharing

Q. (Employees) How important do you think the addition of new benefits was in winning the acceptance of employees such as yourself to all of the changes in their plans—very important, somewhat important, not very important, or not at all important?

Q. (Employers) How important do you think the addition of new benefits was in winning the acceptance of your employees to all of the changes in their plans—very important, somewhat important, not very important, or not at all important?

Q. (Brokers/Consultants) How important do you think the addition of new benefits was in winning the acceptance of their employees to all of the changes in their plans—very important, somewhat important, not very important, or not at all important?

		Corporate Employers			
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	189	352	61	57	74
	%	%	%	%	%
Very important	44	38	43	40	49
Somewhat important	41	40	41	44	45
Not very important	9	18	11	14	5
Not at all important	5	2	5	2	1
Not sure	1	1			

*Less than 0.5%

The Acceptability of Increased Cost-Sharing

Employee reactions to additional cost-sharing vary widely. Just over half (53%) of employees affected by increased cost-sharing say that this was acceptable. However, substantial numbers say that these changes were either not very acceptable (30%), or not at all acceptable (16%).

The acceptability of increased cost-sharing is substantially dependent on how well or badly employers explain such changes. By 68-32% the great majority of employees who rate their employers' communications efforts as excellent think these changes were acceptable. On the other hand, a 59-41% majority of those who rate their employers' communications as only fair or poor, found these changes to be unacceptable.

Observations:

In this context it is relevant to note that employees whose plans changed a great deal rated their employers' communications efforts as favorably as did those whose plans had changed somewhat (Table 7-5). The results shown in Table 7-8 leave no doubt, therefore, that the acceptability to employees of increased cost-sharing is highly correlated with the quality of corporate communications, regardless of the extent of the changes made. Any employer who does not do a first class job of communicating both the changes, and the reasons for them, can expect to encounter a great deal of employee resistance.

Table 7-8

ACCEPTABILITY OF INCREASE IN COST-SHARING: BY JOB DONE BY EMPLOYER IN EXPLAINING CHANGES

Base: Employees whose cost-sharing has increased a great deal or somewhat

Q.: (Employees) The last time your employer increased the cost to employees, how acceptable was this change to you—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

		Job Done By Employer In Explaining Changes		
	All Employees	Excellent	Good	Fair or Poor
Base	624	99	142	171
	%	%	%	%
Very acceptable	10	21	11	5
Somewhat acceptable	43	47	53	36
Not very acceptable	30	19	25	37
Not at all acceptable	16	13	11	22
Not sure	1	—	—	1

Whether or Not Employees Thought Increased Cost-Sharing Was Necessary

By 57-38% a substantial majority of employees affected by increased cost-sharing believes that the changes were necessary so that their employers could get their health insurance cost under control.

Middle income and more highly paid employees and non-union employees are more likely to think that the changes were necessary. On the other hand, only 51% of those with an income of $15,000 or less, and only 47% of unionized employees whose cost-sharing has increased, believe that the changes were necessary.

Unsurprisingly, those who think their employers only did a fair or poor job in explaining the changes were also much less likely to believe that they were necessary.

Observations:

These data throw further insights on findings reported earlier. Low income employees are not only the most adversely affected by increased cost-sharing, they are also less likely to think that such changes were necessary.

Unionized employees are also less likely to think that increased cost-sharing is acceptable, and less likely to think that it was necessary.

Table 7-9

WHETHER EMPLOYEES THINK IT WAS NECESSARY TO MAKE CHANGES IN THEIR PLANS TO CONTROL HEALTH CARE COSTS

Base: All employees whose cost-sharing has increased a great deal or somewhat

Q.: (Employees) Do you think it was or was not necessary for your employer to make changes in their employee health plan in order to get their health insurance costs under control?

	Base	Was Necessary	Was Not Necessary	Not Sure
All employees	624	57%	38%	4%
By Income From Job				
$15,000 or less	184	51%	42%	7%
$15,001 to 25,000	167	59%	35%	6%
$25,001 to 35,000	130	60%	36%	3%
$35,001 or more	126	61%	36%	3%
By Type of Employee				
Union	133	47%	48%	5%
Non-union	487	60%	35%	3%
By Job Done by Employer in Explaining Changes				
Excellent	99	68%	29%	3%
Good	142	68%	29%	3%
Fair or poor	171	53%	40%	6%

CHAPTER 8:
OTHER EMPLOYEE REACTIONS TO CHANGES IN HEALTH PLANS

Price-Competitive Selection of Physicians

One objective shared by many advocates of reform of the nation's health care system is to increase competition between providers, to stimulate price competition and, thereby, to keep prices from rising as fast as they would in a non-competitive environment.

The Equitable Healthcare Survey: Options for Controlling Costs, a 1983 earlier Harris survey, reported that only 16% of adult Americans had ever selected a doctor because his or her fees were lower than another doctor's. Clearly there was very little price competition in the marketplace for physicians' services.

In this survey, the same question was put to the sample of employees, and among this segment of the population an even lower 13% report that they have ever chosen a doctor because his or her fees

Table 8-1

WHETHER EMPLOYEES HAVE EVER SELECTED A DOCTOR BECAUSE FEES WERE LOWER: AMONG DIFFERENT GROUPS

Q. (Employees) And now some questions about health care services. Have you ever selected a particular doctor because his or her fees were lower than another's, or haven't you?

	Base	Have Selected	Have Not	Not Sure
All Employees	1253	13%	86%	1%
By Income From Job				
$15,000 or less	308	18%	81%	1%
$15,001 to $25,000	354	13%	87%	*
$25,001 to $35,000	262	11%	89%	*
$35,001 or more	236	10%	90%	*
By Age				
18-29 years	333	18%	82%	1%
30-39	424	12%	88%	1%
40-49	258	11%	89%	*
50 or more	201	10%	90%	*
By Type of Plan				
Conventional	780	14%	86%	1%
Preferred Provider	247	11%	89%	*
Both/Not Sure	93	13%	88%	1%
Almost Identical Plan	1253	13%	86%	1%
By How Much Employer Has Changed Plan				
A great deal	177	14%	85%	1%
Somewhat	304	13%	86%	1%
Not much	174	11%	89%	*
Not at all	598	13%	87%	*

were lower. While the two figures cannot be compared (one relating to the total adult population, and the other to employees of companies with 500 or more employees), it is clear that increased cost-sharing has, as yet, not succeeded in encouraging many employees to shop around for their doctors.

There is evidence in the data, however, that some employees are shopping around and comparing prices, particularly low income employees, employees under 30, and those whose health care plans have been changed a great deal.

Observation:

The findings reported in Table 3-4 indicate that increased cost-sharing has had some effect on consumer behavior, by changing the way in which some people use health care services. However, price competitive shopping for physicians does not seem to be one of the more common ways in which behavior has been changed.

Table 8-2

WHETHER EMPLOYEES OR THEIR FAMILIES FAILED TO OBTAIN CARE THEY NEEDED

Q. (Employees) Was there any time in the last year—since (MONTH ONE YEAR AGO) 1984—that you felt you, or a member of your family covered by the health insurance provided by your employer, needed medical help but did not get it for some reason?

	Base	Yes, Failed ... Obtain Care
All employees	1253	9%
By Income		
$15,000 or less	338	8%
$15,001-$25,000	358	8%
$25,001-$35,000	312	3%
$35,001 or more	238	3%
By Type of Plan		
Contributory	742	5%
Non-Contributory	497	4%
With deductible	993	5%
Without Deductible	229	2%
By How Much Employer Has Changed Plan		
A great deal	372	6%
Somewhat	468	3%
Not much	256	3%
Not at all	220	7%

Effect of Changes in Health Plans on Access to Care

One concern which is frequently voiced in relation to many cost control programs is that they may result in reduced access to care. The evidence from this new survey is that changes made so far by corporate employers have done little, if anything, to reduce access. Only 5% of employees report that they failed to get needed care in the previous 12 months (and less than half of these—2% of all employees—failed to obtain it because of inadequate insurance).

Observations:

(1) While access to care has not yet been adversely affected to any measurable degree by increased cost-sharing, there is some indication that access could be adversely affected by increased cost-sharing in the future. Low income employees, with earnings of $15,000 or less, are twice as likely as other employees to say that they have failed to obtain needed care. Employees with plans that require deductibles are more likely to have failed to obtain needed care than are employees who do not have to pay deductibles.

Table 8-3

WHETHER EMPLOYERS MADE ANY CHANGES TO WHICH EMPLOYEES WERE STRONGLY OPPOSED -- AND WHAT THOSE CHANGES WERE

Q. (Employees) Is there any one change to your employer's benefits or health insurance plans in the last few years to which you were strongly opposed, or not—and, if so, what was that change?

Q. (Employers) Is there any one change to your employee benefits plans that you made in the last few years to which your employees reacted in a particularly hostile way, or not—and, if so, what was that change?

		Corporate Employers		
	Employees	Corporate Benefits Officers	Senior Executives	Human Resource Executives
Base	1253	1250	200	200
	%	%	%	%
No change to which employees were strongly opposed	73	69	76	69
Increased deductibles	6	11	7	12
Increased contribution to premiums	3	3	5	2
Instituted deductibles	*	*	—	—
Increased copayments	*	1	2	4
Changed insurance plans/carriers	*	2	1	2
Benefit reductions	*	2	2	3
Eliminated benefits/plans	*	1	*	2
Made changes but change not specified	11*	10	8	5

(2) Even a small increase in the percentage of employees failing to obtain needed care would be very serious, with each percentage point increase representing many hundreds of thousands of employees and their families. It would be important to include this question in any future survey of the employed population to determine whether or not access to care deteriorates as employers take further steps to get their costs under control.

Employee Opposition to Specific Changes Made to Their Plans

The great majority of employees report that their plans have not incorporated any changes in the last few years to which they were strongly opposed—a finding which is confirmed by most employers.

The two changes to which the most number of people reacted negatively were increased deductibles and increased contributions to premiums.

Observation:

These results add further confirmation to the finding that steps taken to control health care costs so far have generally not provoked a strong, hostile reaction from employees.

CHAPTER 9:
LOOKING TO THE FUTURE AND LESSONS LEARNED FROM THE PAST

Changes most Effective in Containing Costs

The experiences of employers and brokers/consultants vary widely as to which changes are the most effective in helping to contain costs. Between 17-21% of the employer groups mention increased deductibles. Only 12% or less of any of the employer groups mention any other single change.

Observation:

The many different answers given to this question may reflect the different judgments of different individuals, or the different experiences of different companies. However, it is evident that no single health care cost containment mechanism is a panacea, and that to be really effective, a cost containment program needs to include a substantial number of different elements.

Table 9-1

CHANGES MOST EFFECTIVE IN CONTAINING COSTS

Q. (Employers) Which one change in your employee health care plan do you think has been, or will be, the most effective in helping to contain health care costs?

Q. (Brokers/Consultants) What do you consider the single most important element of plan design which employers can adopt to control their health care costs?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
Increased deductible	17	21	17	6
Pre-admission plan/program	9	5	5	12
HMO plan	4	6	6	—
Financial incentives/refunds/ cash incentives	2	1	1	8
Outpatient benefits/100% outpatient surgery	5	4	4	11
Second opinion	4	5	10	3
Utilization review	2	1	3	4
Co-payment plan	5	6	4	13
Increased co-payments	2	3	3	9
Comprehensive plan	2	1	2	1
Preferred provider organization PPO	3	1	4	2
Monitor claims cost	1	2	—	—
Contributory plan/employee contributes/ employee contribute to premium	3	11	3	8

(Continued)

Table 9-1 (Continued)

CHANGES MOST EFFECTIVE IN CONTAINING COSTS

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
Self-funding/self-insured	4	5	4	-
Cafeteria plan	1	12	1	-
Flexible benefit plan	2	1	2	4
Wellness program/encourage preventive medical care	2	1	2	6
Educating employees/communication with employees	3	2	3	6
Instituted deductibles/discontinued full dollar coverage	5	4	3	-
Increased cost sharing	1	2	1	8
Co-insurance plan	2	1	3	8
Limited hospital benefits/disincentives for hospitalization	1	2	-	3
Changed carrier	1	2	3	-
Research/shop around for best plan	-	1	-	1
None/nothing	4	4	3	1
All other mentions	5	4	6	11
Don't know/no answer	2	6	2	-

* Less than 0.5%

Most Important Lessons Learned So Far

While many different answers are given by employers and consultants as to the most important lessons they have learned from steps they have taken to control health care costs, one answer stands out. Fully 36% of corporate benefits officers and of brokers/consultants say that the value of good communications with employees (including the need to educate employees), stands out as the most important lesson learned.

Observation:

This finding should not be interpreted to mean that the details of plan design are unimportant. However, it certainly underlines the vital importance of careful and effective communications.

Table 9-2

MOST IMPORTANT LESSON LEARNED FROM STEPS TAKEN TO CONTAIN HEALTH CARE COSTS

Q.: (Employers) With hindsight, what do you think is the most important lesson that you and your corporation have learned from all that you have done recently to try to contain health costs—a lesson that, perhaps, could be helpful to other employers?

Q.: (Brokers/Consultants) With hindsight, what do you think is the most important lesson that you have learned from all that the companies you work with have done recently to try to contain health costs—a lesson that, perhaps, could be helpful to other employers?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
Value of good communication with employees/educating employees	36	21	25	36
Employees should share cost/employee contribution	5	11	9	7
Value of self-funding/self-insurance	2	2	3	2
Need to review/monitor plan/benefits/bills/costs	7	8	4	9
Value of increased/raising duductibles	2	3	2	
Need for communications with medical community	2	3	1	

(Continued)

Table 9-2 (Continued)

MOST IMPORTANT LESSON LEARNED FROM STEPS TAKEN TO CONTAIN HEALTH CARE COSTS

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
Value of offering/choice of plans/benefits	1	2	1	1
Should have implemented changes sooner	2		2	4
Value of good/tight administration/administrative control	2	1	3	5
Need to understand policy before implementing				
Value of flexible benefit plan	1	2	1	1
Need for employee involvement/input	3	1	2	3
Value of co-payment plan	1	3	1	1
Need to include cost containment features/measures	3	3	5	4
Benefits of cost sharing	1	1	3	
Need to hire a consultant/rely on accountant/insurance agent			1	
Need for a wellness program				3
Need to shop around for best/appropriate plan	2	4	4	5
Didn't make changes	1	2	2	1
It's difficult/impossible to contain costs/recently implemented changes	6	6	6	4
It's too soon to tell	2	2	1	
None/no lessons to learn	5	3	4	

How Much Can Individual Employers Do by Themselves

Most employers and consultants are at least somewhat optimistic that what they do can have a real impact on their health care costs. Relatively few employers accept the argument that they are at the mercy of the national economy, and that there is little they can do until national health care cost inflation is brought under control.

Table 9-3

HOW MUCH INDIVIDUAL EMPLOYERS CAN DO BY THEMSELVES TO CONTROL THEIR HEALTH CARE COSTS

Q: (Employers) Many different factors are thought to add to health care costs and spending including new medical technologies, government programs such as Medicare and Medicaid, the aging of the population, and the third party payment system. Realistically, how much do you think individual employers such as yourself can do by themselves to slow down the increase in their own health care costs—a great deal, some, not much, or nothing at all?

Q: (Brokers/Consultants) Many different factors are thought to add to health care costs and spending including new medical technologies, government programs such as Medicare and Medicaid, the aging of the population, and the third party payment system. Realistically, how much do you think individual employers can do by themselves to slow down the increase in their own health care costs—a great deal, some, not much, or nothing at all?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
A great deal	20	19	15	36
Some	58	52	60	50
Not much	20	29	23	13
Nothing at all	2	*	3	*
Not sure	*	*	*	*

*Less than 0.5%

Expected Rate of Change in Health Care Plans Over the Next Three Years

If employer expectations are accurate, the next 3 years will see more changes in corporate health care plans than have been implemented in the last 3 years. While many employers (between 33-41% of the 3 groups surveyed) expect to see about the same rate of change over the next 3 years, most of the remainder expect to see a faster rate of change.

A slim majority of brokers and consultants expect greater rates of change in corporate health care plans during the next three years: 51% of brokers/consultants expect more changes in the next 3 years than have been implemented during the last 3 years.

Table 9-4

EXPECTATIONS FOR MAGNITUDE OF CHANGES IN HEALTH PLANS OVER NEXT THREE YEARS

Q. (Employers) Looking ahead to the next 3 years, do you expect to make more changes, less changes, or about the same amount of changes to your health care plans as you made in the last 3 years?

Q. (Brokers/Consultants) Looking ahead to the next 3 years, do you expect the companies you work with to make more changes, less changes, or about the same amount of changes to their health care plans as they made in the last 3 years?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
More changes	40	33	39	51
Less changes	20	23	26	21
About the same amount of changes	36	41	33	27
Not sure	3	3	3*	1

Observation:

It is necessary to be cautious when making forecasts of future behavior from current expectations and intentions. However, it is reasonable to interpret the replies as indicating that the rate of change is unlikely to be any slower in the immediate future than it has been in the recent past, and may well be faster.

The Likely Impact of Tax Changes Affecting Employee Benefits

The elimination or reduction of tax exemption for employee benefits is a hotly debated issue in Washington. The indications from this survey are that most companies probably would not decrease their employee benefits even if they became taxable. However, a sizable minority of employers (between 24-32% of the three groups) expect that their companies would cut employee benefits if they became taxable.

A majority of brokers and consultants take a different view, believing that most employers would decrease benefits under these circumstances.

Table 9-5

EXPECTED EFFECT OF ELIMINATING OR REDUCING TAX EXEMPTIONS ON EMPLOYEE BENEFITS

Q.: (Employers) As I'm sure you know, there is a possibility that Congress will eliminate or reduce the tax exemptions for some or all employee benefits, thereby increasing their cost to employees. If this happens, do you think that over the long term your company will increase or decrease employee benefits, or will it make no difference?

Q.: (Brokers/Consultants) As I'm sure you know, there is a possibility that congress will eliminate or reduce the tax exemptions for some or all employee benefits, thereby increasing their cost to employees. If this happens, do you think that over the long term companies will increase or decrease employee benefits, or will it make no difference?

	Corporate Employers			
	Corporate Benefits Officers	Senior Executives	Human Resource Executives	Brokers/ Consultants
Base	1250	200	200	110
	%	%	%	%
Employers will increase benefits	5	6	8	5
Employers will decrease benefits	27	24	32	56
Benefits will not change	58	64	54	36
Not sure	10	7	7	3

APPENDIX: SURVEY METHOD

Sample Design

The following separate samples were used in this study:

Employees of corporations with 500 or more employees. A nationwide cross-section of 7073 adults was screened in order to locate a representative sample of 1,253 employees. The initial sample was generated by random-digit dialing, based on an unclustered sampling frame, stratified by region and by the Census Bureau's "size of place" designations.

Employers. Three separate samples of employers were interviewed. Three systematic samples of corporations were drawn from the Dunn & Bradstreet listing of corporations with 500 or more employees in the U.S.

- One sample of corporations was used to generate **1,250 corporate benefits officers**.
- A second sample of corporations was used to draw a sample of **200 senior executives** (executive vice president level or above).
- A third sample was used to draw a sample of **200 senior human resources executives**.

Each of these three samples was drawn separately, and should not be aggregated. While each sample is projectable to its universe, the aggregate would not be representative of any universe.

Brokers and Consultants. Interviews were completed with 110 senior executives working in insurance brokerage and consulting firms.

- Forty of these interviews were with senior employee benefits experts in the head offices and regional offices of the ten largest brokerage firms.
- Forty of these interviews were in 40 of the larger medium-sized insurance brokerage firms.
- Ten interviews were with group health insurance consultants in the larger accounting firms, and 20 interviews were with group health insurance consultants in consulting firms.

These 110 interviews were drawn selectively with key individuals targeted in the larger firms in each segment. Unlike the samples of employees and employers, this is not a strict probability sample and the replies of the consultants cannot be projected to be accurately representative of all brokers and consultants. The findings for this sample are, therefore, indicative and not definitive.

Interviewing

All interviews were conducted by telephone from the New York offices of Louis Harris and Associates, during February and March 1985. The employee sample was interviewed at home from 5 P.M. to 10 P.M. (local time) on weekdays, and from 10 A.M. to 10 P.M. (local time) on weekends. The employer/broker and consultant samples were interviewed on weekdays from 9 A.M. to 5 P.M. Where necessary, appointments were made to interview the relevant individual within the organization contacted.

Up to three callback attempts were made to reach all selected respondents.

Questionnaires

Three questionnaires were developed for this survey: one for employees, one for employers (corporate benefits officers, senior executives, and human resource executives), and one for brokers/consultants. Many of the questions were very similar, with employees answering questions about themselves, employers answering questions about their employees, and brokers/consultants answering questions about the companies which they advise and work with. Copies of the questionnaires can be obtained from Louis Harris and Associates.

Data Processing

The editing, coding, and data processing of all questionnaires were conducted by Louis Harris and Associates.

Codes were developed for responses to open-end questions, with only those responses given by less than 0.2% of the respondents being coded as "other" responses.

The data were analyzed and tabulated separately for each of the five samples.

Sampling Error

The table below indicates the sampling error associated with the various samples sizes and their reported sample percentages at the 95% confidence level.

	REPORTED SAMPLE PERCENTAGE				
Sample Size	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
1,250	±2%	±3%	±3%	±3%	±3%
250	±5%	±6%	±6%	±6%	±6%
100	±8%	±10%	±10%	±10%	±10%

DEMOGRAPHIC PROFILE OF THE EMPLOYEE SAMPLE

	%
All Employees	100
Region[1]	
East	25
Midwest	27
South	34
West	15
Sex	
Male	66
Female	35
Employer's Business	
Manufacturing	47
Wholesale, retail	11
Financial	11
Services	17
Other	15
Income	
$15,000 or less	25
$15,001 to $25,000	28
$25,001 to $35,000	25
$35,001 or more	19
Age	
18-29 years	31
30-39 years	32
40-49 years	21
50 or over	16
Labor Union	
Self	23
Other in family	5
No one	72
Family Size Covered	
1	29
2	23
3 or more	47

[1]Definition of Geographic Regions Used by Louis Harris and Associates

East: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, District of Columbia, and West Virginia.

South: Virginia, North Carolina, South Carolina, Florida, Georgia, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Texas, and Oklahoma.

Midwest: Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, South Dakota, and North Dakota.

West: Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Idaho, Nevada, California, Oregon, and Washington.

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